

REPORT ON BUSINESS

WEDNESDAY, FEBRUARY 10, 1982

PLOW & WATT
Corporate and Financial
TORONTO MON
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The hard line on transfer costs

with their colleagues. Employers who transfer around the country are angry and by a budget proposal that would eliminate tax-free status of the 50,000 of low-interest loans made by employers when an employee is relocated.

as company representatives say they have changed their policies to with the proposal, it will be employees who bear the financial burden of proposed changes.

the budget proposal is "there is no question" that fewer employees will accept job transfers to

locations with higher housing costs, said Robert Bower, president of ERS Employee Relocation Services Ltd. of Toronto.

Because the proposal would distort over-all salary structures, many employers will not increase salaries to compensate for the higher tax burden and so there will be "stiff transfer resistance," Mr. Bower said.

Gulf Canada Ltd. of Toronto has decided not to increase the salaries of employees who are relocated, said John Lynch, manager of human resources.

"We think the Government made a serious error and if enough people get annoyed, maybe the policy will be changed," he said. "Also, increasing salaries creates a problem for relationships between salaries."

John Harvey, manager of corporate human relations for the Toronto Dominion Bank, said: "Who is the Government levying the tax on? Is this argument between employees and the Government, or employers and the Government?"

The budget proposal calls for the elimination of the tax-free status for loans made after the budget date, and a phasing out of the tax-free status for loans made prior to the budget.

A calculation by accountants with Coopers and Lybrand (International) indicated that the 1982 taxable benefit on a \$100,000 loan originally made in 1979, on which the employee pays 5 per cent interest, would be \$400.

The same loan made Nov. 12, 1981 (just prior to the budget) would have a 1982 taxable benefit of \$4,600. If made just after the budget, it would have a taxable benefit of \$11,000.

The tax-free loans meant people could be moved to locations with higher housing costs "without suffering a penalty" and hence eliminating the loans "seems a little inconsistent with the national objectives of mobility," said Robert Bath, compensation manager for Imperial Oil Ltd. of Toronto.

"Now, in the absence of definite regulation, it is a difficult time," Mr. Harvey said.

He said that in the interim period before the final budget is passed, bank employees who are transferred will have salaries increased so their financial situation would be the same as if they made the move, and received a housing loan, just prior to the budget.

In the budget papers, the Department of Finance states the tax-free housing loans are benefits that are



Globe and Mail, Tibor Kolley

APMAC president Patrick Lavelle wants Japanese auto makers to make early start on achieving 85 per cent local content in parts.

Auto parts sector wants Canadian content raised

By DAVID STEWART-PATTERSON

The Canadian auto industry is in a state of crisis, and fair trade must replace free trade as Canada's guiding principle — that much was agreed upon by representatives of the vehicle and auto parts industries, labor and government at a packed meeting.

But most of the suggestions were aimed at the federal Government, and there was a distinct shortage of concrete commitments from that quarter in reply.

Patrick Lavelle, president of the Automotive Parts Manufacturers Association of Canada, said he hoped the meeting would be remembered as "the day we decided to decide."

Not much appeared to be decided, but the various participants have largely stopped blaming each other for the sorry state of the Canadian automotive indus-

needs to be done with other foreign manufacturers.

In five years, Volkswagen has increased its purchases of Canadian parts from \$2-million annually to \$81-million in 1981, Mr. Lavelle said. In the same period, Japanese parts purchases increased from \$3-million to \$6.6-million, an amount equal to only half of 1 per cent of their total Canadian vehicle sales.

The parts makers' association wants to see Japa-

nese companies forced to reach 85 per cent local content. "We are not suggesting that this be done overnight or without advantage to the Japanese, but a start should be made towards this goal, and I suggest it is time to do that now."

And if an agreement has not been reached by April 1, when the current agreement limiting Japanese imports expires, then there should be an embargo on Japanese vehicles until one is reached, he said.

But the federal Government's representative at the meeting, MP Russell MacLellan, did not have much to promise. He is parliamentary secretary to Minister of Regional Industrial Expansion Herbert Gray, who was scheduled to speak but cancelled the appointment for a cabinet committee meeting.

His stand-in pointed to the Volkswagen agreement as one of several important achievements by the fed-

FUN WITH FIGURES

BY J. A. H. HUNTER

We have 5,799 for the game today: two 9's, one 5 and one 7. Using all four each time but no other digits at all you form expressions for the consecutive numbers from one up.

Any arithmetical signs may be used, but no sum-

Rules eased on ownership for oil firms

Modified Canadian ownership regulations lift the administrative burden for a "significant" number of small oil and gas companies, according to a federal energy official.

Royal indicator declines

A leading indicator compiled by the Royal Bank of Canada is estimated to have fallen by 1.5 per cent during the fourth quarter of 1981, to its lowest level in three years.

Cast denies attachment reports

Kurien Jacob, executive vice-president of North America Ltd., denies reports that a court has issued an attachment on assets of Cast Shipping Group in Britain and Bermuda.

Accounting guideline

The accounting research steering committee of the Canadian Institute of Chartered Accountants has issued a guideline on the accounting treatment of grants under the Petroleum Income Tax Program.

Sun Life to buy U.S. firm

The recent agreement to purchase a Boston-based investment management company gives Sun Life Assurance Co. of Canada an "important step forward" in making revenue in the U.S. market, Thomas Galt, chairman of the annual meeting.

Kellogg Salada expansion

Kellogg Salada Canada Inc. will spend \$10 million over the next three years to expand its cereal plant in London, Ont.

Wage settlements up

Major wage settlements in the 1981 fourth quarter provided for average annual increases of 12.2 per cent, up from an average 12.2 per cent in the third quarter.

Shell to close division

Shell Canada Resources Inc. has decided to close its minerals production and exploration division, says MacIntosh Gibbs, manager of mineral production.

Steel output

Canadian steel ingot output totalled 314,800 tons in the week ended Feb. 6, off 2.3 per cent from 321,808 tons the previous week and off 1.1 per cent from 351,824 tons a year earlier, Statistics Canada reports.

Nova wooed for Alsands project

Nova Corp. is one of several companies being wooed as potential investors in the Alsands project, hobbled by the recent bankruptcy of two partners.

Brascan faces decision over Westmin

Brascan Ltd. hopes to decide whether to make its 84 per cent-owned resource company Westmin Resources Ltd., a subsidiary of Brascan Ltd. some time this month, says Brascan chief executive Trevor Eyton.

Lake Ontario Cement plans expansion

Despite its fears of escalating labor costs, Ontario Cement Ltd. has plotted a course of aggressive expansion.

Workers may return